

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 SS-15 NSC-05 /055 R

DRAFTED BY EB/OA/AVP:JCOOK:GL

APPROVED BY EB/OA:MHSTYLES

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R 201723Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY LONDON

UNCLAS STATE 145344

E.O. 11652: N/A

TAGS: EAIR, UK

SUBJECT: CIVAIR-PAA COMMISSION RATE PROBLEM

REF: STATE 120937, LONDON 9340

1. FOLLOWING IS SUBSTANCE OF DEPT OF STATE LETTER TO
CHAIRMAN OF US CAB CONCERNING THE COMMISSION RATE PROBLEM:

I REFER TO A PETITION OF THE DEPARTMENT OF TRANSPORTATION
DOCKET NO 27413 DATED JANUARY 15, 1975 FOR A RULE MAKING
TO ESTABLISH PRACTICES FOR AIR TRANSPORTATION INTERMEDIARY
COMPENSATION.

YOU WILL RECALL THAT ON MAY 21-22, TALKS WERE HELD BETWEEN
THE U.S. AND UK AUTHORITIES ON THE SUBJECT OF COMMISSION
RATES PAID BY PAN AMERICAN UNDER ITS "COMMISSION INCENTIVE
PLAN". THESE CONSULTATIONS CONCLUDED WITH A JOINT STATE-
MENT, A COPY OF WHICH IS ATTACHED, WHEREBY THE TWO
GOVERNMENTS INDICATED THAT THEY WOULD TAKE CERTAIN ACTIONS
TO DEAL WITH THE PROBLEMS STEMMING FROM THE BREAKDOWN
OF THE COMMISSION RATE SYSTEM. YOU WILL NOTICE THAT OUR
JOINT STATEMENT REFERS TO THE PETITION OF THE DEPARTMENT
OF TRANSPORTATION FOR A BOARD RULEMAKING WHICH WOULD REQUIRE
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CARRIERS TO FILE THEIR COMMISSION RATES WITH THE BOARD

AND TO ADHERE TO THESE RATES.

THE DEPARTMENT OF STATE SUPPORTS THE GENERAL CONCEPT OF THIS PETITION. ISSUANCE OF A RULE ALONG THE GENERAL LINES OF THE DOT PETITION SHOULD HELP RESTORE A SENSE OF STABILITY IN THE COMMISSION RATE SYSTEM. IN CONSIDERING SUCH RULEMAKING, WE URGE THE BOARD TO TAKE THE FOLLOWING FACTORS INTO CONSIDERATION:

A) THE US ADOPTED THE VIEW DURING THE DISCUSSIONS WITH THE BRITISH THAT COMMISSIONS WERE NOT COVERED BY THE RATE ARTICLES IN OUR BILATERAL AGREEMENTS ON AIR TRANSPORT SERVICES;

B) WE UNDERSTAND THAT IT WAS THE INTENTION OF DOT FOR THE PROPOSED RULE TO APPLY TO SALES IN THE US MARKET;

C) THE DOT PETITION DOES NOT PROPOSE THAT THE BOARD FIX COMMISSION RATES. RATHER IT PROPOSES THAT THE PAYMENT AND RECEIPT OF COMMISSIONS AT RATES OTHER THAN THOSE ON FILE WITH THE BOARD BE CONSIDERED AN UNFAIR COMPETITIVE PRACTICE IN VIOLATION OF SECT.411 OF THE ACT. THIS RULE WOULD THUS STRESS FULL AND OPEN DISCLOSURE OF COMMISSION PAYMENTS, AND WOULD PERMIT THE LEVEL OF SUCH COMMISSIONS TO BE DETERMINED BY COMPETITIVE FORCES IN THE MARKET. THIS

WOULD BE CONSISTENT WITH THE CONCERNS EXPRESSED IN OUR DISCUSSIONS WITH THE BRITISH; BOTH SIDES AGREED THAT IT WAS IN THE INTERESTS OF THE AIRLINE INDUSTRY, TRAVEL AGENTS, AND THE PUBLIC THAT A STABLE SYSTEM OF COMMISSION RATES BE ADOPTED, UNIFORMLY IMPLEMENTED AND FULLY ENFORCED.

IN LIGHT OF THE ABOVE, WE SUGGEST THE BOARD CONSIDER ON AN EXPEDITED BASIS A RULEMAKING ALONG THE LINES SUGGESTED BY DOT. IT IS REQUESTED THAT THIS LETTER BE MADE A PART OF THE PUBLIC RECORD IN DOCKET NO. 27413.

2. YOU MAY PASS COPY OF ABOVE LETTER TO BROWN (DOT) AND EXPLAIN THAT CAB IS CONSIDERING WHETHER TO PROCEED WITH A RULEMAKING ON ABOVE PETITION. KISSINGER
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, INCENTIVE WAGE SYSTEMS, NEGOTIATIONS, AIR FARES
Control Number: n/a
Copy: SINGLE
Draft Date: 20 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE145344
Document Source: CORE
Document Unique ID: 00
Drafter: JCOOK:GL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750216-0871
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750629/aaaabalk.tel
Line Count: 107
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 120937, 75 LONDON 9340
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 26 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 FEB 2003 by PhilliR0>; APPROVED <09 MAR 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR-PAA COMMISSION RATE PROBLEM
TAGS: EAIR, UK
To: LONDON
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006